

Investment Idea

30 May 2025

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Gagasan Nadi Cergas Bhd

Time to deliver....

By Lee Cai Yu

Gagasan Nadi Cergas Bhd (NADIBHD: 0206) offers an integrated four-pronged spectrum of businesses, namely: (i) construction, (ii) concessions, (iii) utilities services and (iv) property development. Underpinned by multiple projects in progress and strong property sales, we expect the company to register solid net earnings for FY25F of RM22.5m (up almost 3 folds YoY) and RM31.0m for FY26F. BUY with a target price of RM0.57 based on our SOP derived valuation (refer to table), implying a forward FY26F PER at a reasonable 13.8x.

NADIBHD posted a 1QFY25 net profit RM5.2m (+93% YoY) attributed to higher revenue from the property development segment arising from significant progress of both Idaman Bukit Jelutong and Idaman Kwasa Damansara projects.

The construction segment is poised to contribute positively, backed by an order book of approximately RM235m and substantial in-house construction works stemming from the hectic property development activities. After a pandemic-driven downturn from cost pressures, the construction segment is recovering, supported by improving market conditions amid a strategic shift towards in-house projects thus enhancing cost control, quality, and intersegment margin growth.

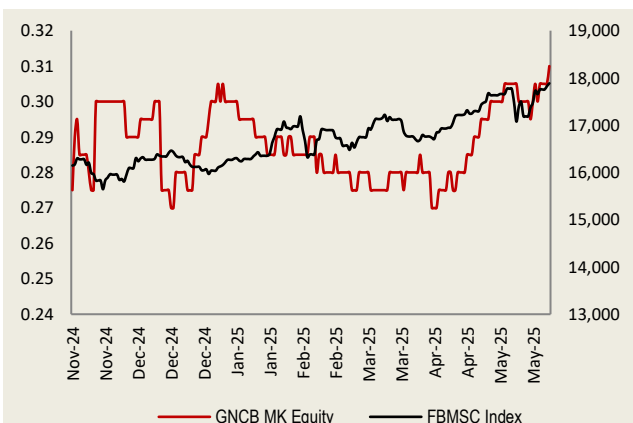
From FY25 onwards, property development segment is expected to be the primary earnings catalyst. Currently, the group is actively developing over 7,500 affordable housing units under the Rumah Idaman initiative in strategic locations: (i) Bukit jelutong (GDV: RM304m), (ii) Kwasa Damansara (GDV: RM1.3bn), (iii) City of Elmina (GDV: RM420m) or a total GDV of RM2.0bn. The segment currently holds total unbilled sales of RM203m which is expected to be recognised over the next 3 years. All projects are seeing high take-up rates driven by strong demand for affordable housing especially among first-time homebuyers. We believe NADIBHD is well-positioned to secure additional affordable housing projects in the future, underscore by its proven track record.

To further strengthen earnings base, NADIBHD is expanding its recurring income through the acquisition of Konsortium PAE Sepakat for hostel management across seven polytechnic campuses. This strategic move builds upon existing facility management contracts with IIUM (until 2034) and UTeM (until 2037), that will significantly expand the group's recurring income base. Meanwhile, the utility services division continues to generate stable earnings stream from its 30-year electricity distribution and district cooling system concessions at Datum Jelatek Mall (until 2052).

We are sanguine on NADIBHD's outlook for its (i) diversified business model, (ii) strong position within the affordable housing segment in high-demand areas and (iii) proactive initiatives to boost recurring income. The company's financial leverage remains healthy, with a net gearing ratio of 0.16x as of 31 Mar 2025.

★★★★☆ **BUY**

Price: RM0.315
Target price: RM0.57



KLCI	1,518.98
YTD FBM KLCI change	-7.5%
YTD FBM SC Index change	-13.4%
YTD stock price change	8.6%

Stock Information

Market Cap (RM mil)	237.2
Issued Shares (m)	753.0
52-week range (H)	0.32
52-week range (L)	0.27
Shariah Compliant	Yes

Major Shareholders

Wan Azman Bin Wan Kamal	64.7%
Subahan Bin Kamal	6.8%
Lim Eng Keong	3.4%

Summary Earnings Table

FY Dec (RM'm)	2023A	2024A	2025F	2026F
Revenue	318.3	262.8	371.2	479.2
EBIT	32.5	28.7	51.5	64.1
Pretax profit	17.8	17.9	37.4	50.9
PATMI	2.4	5.9	22.5	31.0
Core PATMI	2.4	5.9	22.5	31.0
Consensus	NA	NA	NA	NA
Core EPS (sen)	0.3	0.8	3.0	4.1
EPS growth (%)	-193.8	141.1	282.9	37.9
DPS (sen)	-	-	-	-
PER (x)	97.5	40.4	10.6	7.7
BV/Share (RM)	0.59	0.60	0.63	0.67
ROE (%)	0.5	1.3	4.9	6.3
Div. Yield (%)	-	-	-	-

Sources: Company, Rakuten Trade Research

Sum of Parts Valuation	RM(m)
Property (RNAV)	33.1
Construction (12x FY26 earnings)	117.1
Concession and Utility (NPV)	106.1
Total SOP	256.3
5-year average P/NTA @ 0.5x	175.9
Fair Value	432.2
Share base (m shares)	753.0
Target price (RM)	0.57



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COMPANY	Definition
Buy	The stock return is expected to exceed the KLCI benchmark by more than 10% over the next 6-12 months.
Trading Buy	Short-term positive development on the stock that could lead to a re-rating in the share price and translate into an absolute return of 10% over the next 3-6 months. Trading Buy is generally for investors who are willing to take on higher risks.
Take profit	The stock return previously recommended has gained by >10%
Hold	The stock return is expected to be in line with the KLCI benchmark (+/- 5%) over the next 6-12 months.
Sell	The stock return is expected to underperform the KLCI benchmark by more than 10% over the next 6-12 months.
SECTOR	
Overweight	Industry expected to outperform the KLCI benchmark, weighted by market capitalization, over the next 6-12 months.
Neutral	Industry expected to perform in-line with the KLCI benchmark, weighted by market capitalization, over the next 6-12 months.
Underweight	Industry expected to underperform the KLCI benchmark, weighted by market capitalization, over the next 6-12 months.

Scoring model:

The in-house scoring model is derived from Rakuten Trade Research valuation matrix based on earnings growth, earnings visibility, business model, valuation, balance sheet, technical analysis, and shareholder value creation. Each parameter is given a specific weighting.

All buy calls are based on the research team's judgement. Investing is risky and trading is at your own risk. We advise investors to:

- read and understand the contents of the disclosure document or any relevant agreement or contract before investing;
- understand the risks involved in relation to the product or service;
- compare and consider the fees, charges and costs involved; and
- make your own risk assessment and seek professional advice, where necessary.

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Published:

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